

Message Text

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ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 EB-11 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 OMB-01 SCI-06 FEA-02 COME-00 INT-08

TRSE-00 CIEP-02 AF-10 STR-08 AID-20 DRC-01 /182 W

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R 171810Z JAN 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 9634

INFO AMEMBASSY THE HAGUE

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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STATE ALSO FOR T/IEP

E.O. 11652: NA

TAGS: PINT, ENRG, IR, BE

SUBJECT: ENERGY: IRANIAN REFINERY DEAL THREATENED

REF: BRUSSELS 266

1. SUMMARY INTRODUCTION. FUTURE OF PROPOSED
BELGO INANIAN REFINERY (IBRAMCO) AND EVEN LONGEVITY OF BELGIAN
GOVERNMENT WERE CALLED INTO QUESTION JANUARY 16 BY TELEGRAM
FROM NATIONAL IRANIAN OIL COMPANY (NIOC) "OFFICIAL"
ADDRESSED TO ECON MIN GEN SEC BAEYENS (IN LATTER'S
CAPACITY AS IBRAMCO DIRECTOR) TO EFFECT THAT, WITH
BELGIAN FAILURE TO GIVE DEFINITIVE RESPONSE TO PAYMENT
ON PROJECT WITHIN JANUARY 15 DEADLINE, NIOC WAS NO
LONGER BOUT BY IT. END SUMMARY.

2. BELGIAN REACTION TO NIOC TELEGRAM HAS BEEN ONE OF
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CONFUSION AND, ON SOCIALIST SIDE, ALARM. BELGIANS

HAD RECEIVED ASSURANCES FROM IRANIAN DIPLOMATIC REPRESENTATIVES THAT IRANIANS WERE PREPARED TO DISCUSS QUESTIONS RAISED BY NON-SOCIALIST GOVERNMENT PARTIES ABOUT "PREVAILING MARKET PRICE" AND DURATION OF DELIVERY GUARANTEE. TELEGRAM SEEMED TO CONTRADICT DIPLOMATIC ASSURANCES, BUT IN FACT DOES NOT, AND SOCIALISTS FEARED IRANIANS MAY KILL PROJECT, IF NOT BY REFUSING TO RECEIVE BELGIAN DELEGATION THEN BY FAILURE TO PROVIDE SATISFACTORY CLARIFICATIONS ON POINT NOTED. (GOB OFFICIAL HAS JUST TOLD EMBASSY THAT IRANIANS HAVE AGREED TO RECEIVE BELGIAN DELEGATION BUT THAT DELEGATION WILL PROBABLY NOT DEPART BEFORE NEXT WEEK. PRIME MINISTER MAY LEAD DELEGATION WITH ONE IF NOT BOTH NON-SOCIALIST VICE PRIME MINISTERS AND SEVERAL OTHER MINISTERS IN ATTENDANCE.)

3. MAJOR DEVELOPMENT IN THIS SITUATION IS KEY ROLE BEING PLAYED BY CVP (FLEMISH CATHOLICS) UNDER LEADERSHIP OF VICE PRIME MINISTER TINDEMANS. "PETROLIUM ADVISOR" IN TINDEMAN'S PERSONAL CABINET TOLD US THAT CVP OBJECTIVE IS TO RETAIN GOVERNMENT OBJECTIVE OF CREATING NEW REFINERY WITH GOV AND IRANIAN INVOLVEMENT BUT TO ARRANGE COMPLETELY NEW CONDITIONS. THEREFORE IRANIAN TELEGRAM CANCELING AGREEMENT NOT UNWELCOME TO CVP AS LONG AS IRANIANS WILLING DISCUSS NEW TERMS. CVP OBJECTIVES FOR POSSIBLE NEW AGREEMENT ARE:

A. CLEAR DEFINITION OF PHRASE "PREVAILING MARKET PRICE" IN RESPECT TO PRICE IBRAMCO WILL HAVE TO PAY FOR IRANIAN CRUDE. CVP HAS EXPRESSED CONCERN THAT PHRASE COULD TURN OUT TO REFER TO PREVAILING MARKET PRICE FOR MARGINAL AMOUNTS OF PARTICIPATORY CRUDE WHICH HAS BEEN SOLD RECENTLY AS HIGH AS 20-22 PER TON. (OUC UNDERSTANDING FROM OUR NIOC CONTACT WHO NEGOTIATED ORIGINAL IBRAMCO AGREEMENT IS THAT CVP FEAR IS UNWARRANTED; NIOC MEANS TO SELL IBRAMCO CRUDE PETROLEUM AT MAJOR COMPANY OIL PRICE. IF SO, CVP IS PUSHING AGAINST AN OPEN DOOR.)

B. IRANIAN GUARANTEE THAT CRUDE PETROLEUM LIMITED OFFICIAL USE

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DELIVERIES WILL CONTINUE AFTER 1985 (CVP FEAR HERE IS RESULT OF SHSH'S RECENT SPEECH IN WHICH HE TOLD EUROPE THAT AFTER 1985 IRAN WILL ONLY SELL FINISHED PETROLEUM PRODUCTS.)

C. CHANGE IN COMPOSITION OF IBRAMCO TO INCLUDE PRIVATE OIL COMPANY INVESTMENT AND INVOLVEMENT IN MANAGEMENT. SOCIALIST PARTY HAS ALREADY AGREED IN PRINCIPLE TO SET UP TWO IBRAMCOS: REFINERY

AND MARKETING ORGANIZATION WITH PRIVATE INDUSTRY
PARTICIPATION IN LATTER. CVP IS INSISTING THAT
PRIVATE SECTOR PARTICIPATE IN BOTH OPERATIONS.

4. SAME SOURCE TELLS US THAT PROBLEM POSED BY DUTCH
OPPOSITION TO IBRAMCO REFINERY ON ENVIRONMENTAL GROUNDS
HAS ACTUALLY BEEN RESOLVED. V-P TINDEMANS MET WITH
" A DUTCH MINISTER " OVER PAST WEEKEND AND REPORTEDLY OBTAINED
"GUARANTEE" THAT IBRAMCO REFINERY POLLUTION ISSUE
WOULD BE AMICALLY RESOLVED "WITHIN SIX MONTHS" AS
PART OF AN UNOFFICIAL PACKAGE INVOLVING LONG PROPOSED
BELGO-DUTCH PROJECTS IN SCHELDT RIVER (BATIH CORNER
AND BAALOEK CANAL).

5. COMMENT: EMBASSY DOES NOT BELIEVE ANY OF
GOVERNMENT PARTIES ARE ANXIOUS TO BREAK UP PRESENT
COALITION DESPITE TENSIONS CREATED BY LATEST
DEVELOPMENTS. SHOULD IRANIANS FORECLOSE DEAL, HOWEVER,
THREATS TO PRIME MINISTER LEBURTON'S PRESTIGE
AND HIS PERSONAL POSITION WITHIN
THE SOCIALIST PARTY COULD BE SO SERIOUS AS TO MAKE
HIM CONCLUDE THAT NEW ELECTIONS WERE UNAVOIDABLE.
AS ONLY MEANS BY WHICH HE COULD SECURE MANDATE FOR
HIS CONTINUED LEADERSHIP. STRAUSSZ-HUPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, PETROLEUM, PETROLEUM REFINING, JOINT VENTURES, REFINERIES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRUSSE00307
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740136/aaaabhof.tel
Line Count: 139
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BRUSSELS 266
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 01 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 APR 2002 by kellew0>; APPROVED <28 MAY 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: IRANIAN REFINERY DEAL THREATENED
TAGS: PINT, ENRG, IR, BE
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005